2003-2004 Quarterly Revenue Breakdown

($000)	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04E	2004E
Recurring revenue	$5,065	$ 5,591	$ 6,177	$ 6,522	$23,355	$ 6,988	$ 7,381	$ 7,809	$ 8,209	$30,387
Usage revenue	1,607	1,805	1,825	1,834	7,071	1,965	2,017	1,952	2,117	8,051
CABs	1,755	3,318	3,194	3,628	11,895	2,760	2,857	2,469	4,431	12,517
Recip Comp	200	230	214	247	891	258	280	254	330	1,122
Allowances	5	(162)	(209)	(94)	(460)	(128)	(170)	(61)	(100)	(459)
Total revenue	$8,632	$10,782	$11,201	$12,137	$42,752	$11,843	$12,365	$12,423	$14,987	$51,618

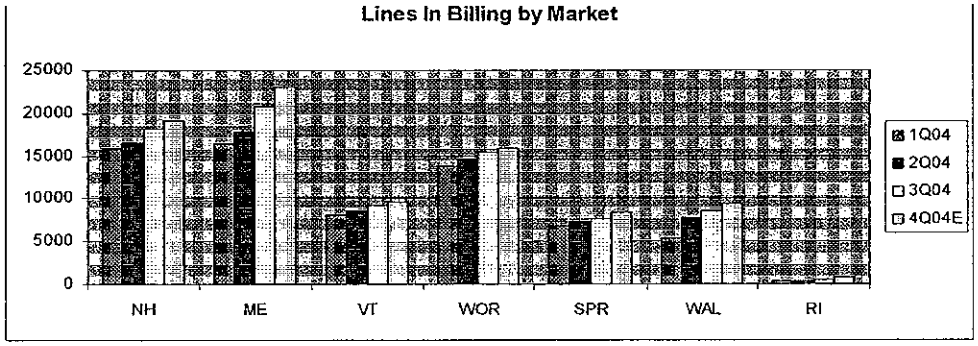
Adjusted EBITDA

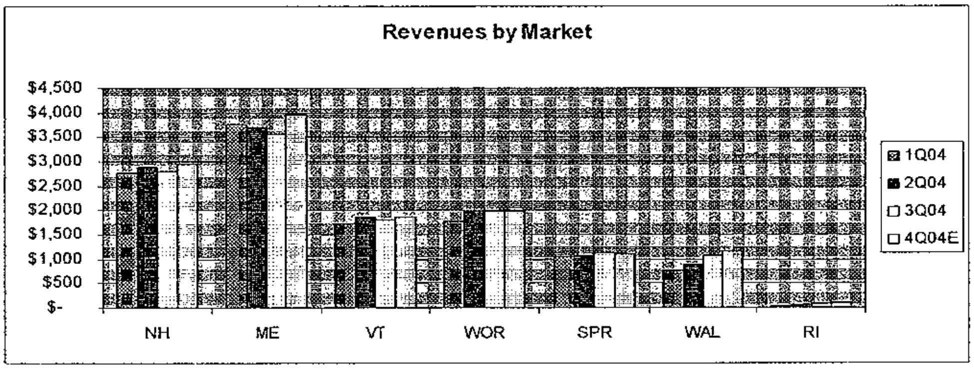
Estimated Impact of Capitalizing Internal Provisioning Expenses

	2002	2003	2004	2005	2006	2007
Impact on Statement of Operations:						
EBITDA impact	$ 694,799	$ 1,171,721	$ 1,361,849	$ 1,429,942	$ 1,501,439	$ 1,576,511
Amortization impact	(72,110)	(399,982)	(828,720)	(1,220,887)	(1,380,506)	(1,463,633)
Net income impact	$ 622,689	$ 771,739	$ 533,129	$ 209,054	$ 120,933	$ 112,877
Impact on Balance Sheet:						
Deferred install fees	$ 694,799	$ 1,866,520	$ 3,228,369	$ 4,658,311	$ 6,159,749	$ 7,736,260
Accumulated amortization	(72,110)	(472,092)	(1,300,812)	(2,521,699)	(3,902,205)	(5,365,839)
Net (offset is equity/deficit)	$ 622,689	$ 1,394,428	$ 1,927,557	$ 2,136,611	$ 2,257,544	$ 2,370,421

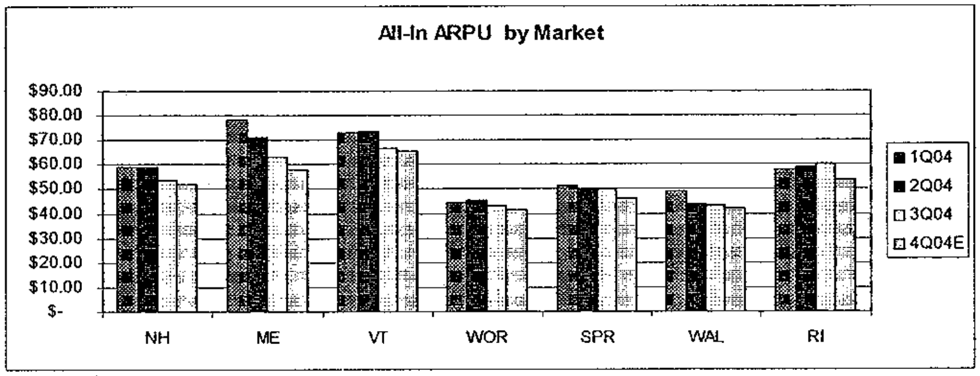
- Industry practice is to capitalize all costs of provisioning new customers, both internal and external
- Lightship's policy is to capitalize only external costs and expense internal costs

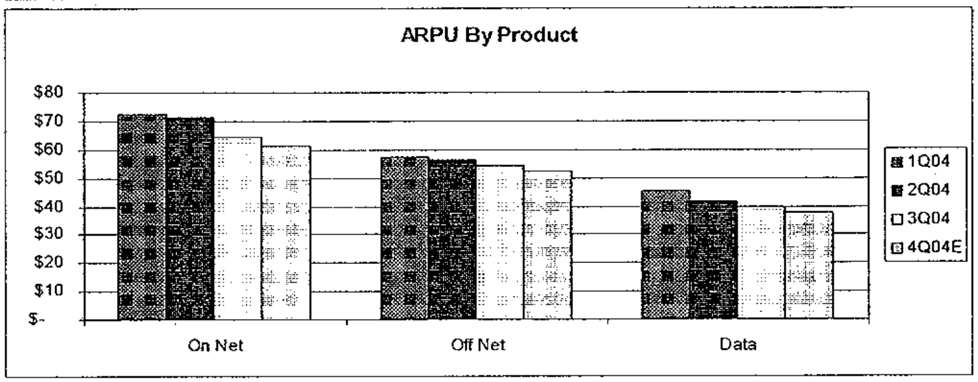
Revenue and Lines by Market





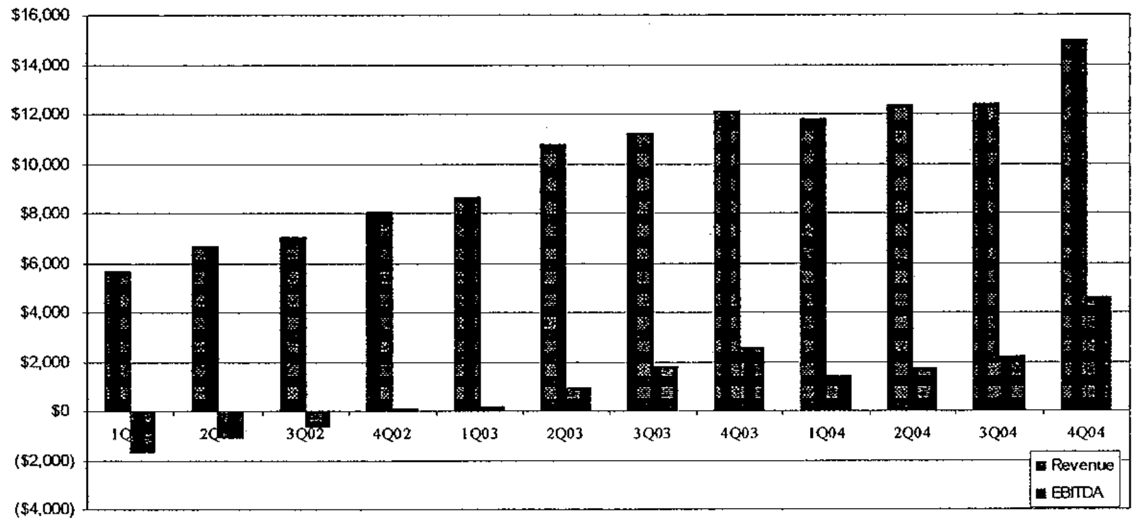
Average Revenue Per Line (including CABS)





Historical Results

- **Lightship Has Shown Steady, Rapid Growth in Revenue and EBITDA**



SG&A Breakdown

($000)	2003 1Q03	2Q03	3Q03	4Q03	Year	2004E 1Q04	2Q04	3Q04	4Q04E	Year
Total Wages	1,929	2,169	2,383	2,515	8,996	2,311	2,399	2,626	2,546	9,883
Bonus	243	361	246	319	1,169	270	277	79	500	1,126
Vacation Expense	65	72	26	(57)	105	15	15	2	-	32
Commissions	293	403	459	406	1,562	465	559	429	412	1,864
Total Wages & Commissions	2,530	3,005	3,113	3,184	11,833	3,061	3,250	3,136	2,960	12,407
Benefit Costs	149	148	197	161	655	221	183	220	269	893
Payroll Taxes	222	215	208	230	875	331	272	220	196	1,019
Total Wages & Benefits	2,901	3,368	3,519	3,575	13,363	3,613	3,705	3,576	3,924	14,818
Marketing Expense	95	117	128	103	444	104	101	87	61	353
Billing Expense	272	233	111	117	733	81	71	43	39	235
Bad Debt Expense	220	655	359	267	1,500	229	284	234	(111)	635
Rents	275	305	313	264	1,157	329	349	295	350	1,323
Classified Advertising	4	3	3	4	15	5	9	6	5	24
Office Supplies	22	29	29	25	105	22	16	20	28	86
Legal Fees	41	60	84	37	222	50	101	97	35	283
Accounting Fees	30	76	52	31	189	23	32	39	29	122
Professional Fees	(4)	193	93	73	355	60	78	163	162	463
Recruiting Fees	125	20	-	5	150	22	27	23	2	73
Telephone Expense	61	68	47	60	236	69	78	16	73	236
Travel	44	35	61	131	271	60	71	60	35	226
Mileage Reimbursement	74	84	105	96	359	102	92	107	102	403
Amort of Maintenance Contracts	99	99	112	132	442	201	167	149	77	595
Other Expense	156	328	201	326	1,011	260	236	207	397	1,100
Total SG&A	4,415	5,671	5,217	5,248	20,551	5,230	5,415	5,121	5,210	20,976

Lightship Bad Debt Expense

($000)		2004E		2003		2002		2001		2000
Bad debt expense	$	636	$	1,500	$	811	$	596	$	244
% of revenues		1.20%		3.51%		2.96%		3.35%		3.10%

- Bad debt expense was reduced sharply in 2004 by taking several decisive actions:
  - Moved the Credit & Collections function from PA to NH where our Operations Center and Customer Care functions reside
  - Significantly upgraded the staff
  - Developed and implemented Credit & Collections policies and procedures
  - Instituted inspection of and accountability for resolving reasons customers weren't paying
  - Acted decisively to terminate service for non-payment
  - Engaged CABs customers to resolve open issues and disputes

Accounts Receivable and Reserve

at December 31, 2004

	Current	31 - 60	61 - 90	91 - 120	121 - 150	Total
Trade	$ 2,097	$ 489	$ 221	$ 123	$ 170	$ 3,101
CABs	1,041	143	109	14	190	1,496
Total	$ 3,138	$ 632	$ 330	$ 137	$ 360	$ 4,597
	68%	14%	7%	3%	8%	100%
					Reserve	$ 680
						15%

Lightship Capital Structure

($000)		Preliminary December 31, 2004
Current portion:		
Leases	$	732
GECC debt		5,547
Total current		6,279
Long term portion:		
Leases		419
GECC debt		19,415
Total long term		19,834
Total debt	$	26,113
Paid in capital	$	55,534
Accumulated deficit		(62,451)
Net equity	$	(6,917)

Lightship Equity Cap Table

As of December 31, 2004

Lightship Fully Diluted Shares									
	Preferred CC*	Preferred BB	AA Stock Issued	AA Options Granted	AA Options Reserved	Warrants for Common	Common	Total Shares	% Fully Diluted
Authorized Voting	15,000,000	15,000,000	5,000,000				34,000,000	69,000,000	
Authorized Non-voting	15,000,000	15,000,000	-				26,000,000	56,000,000	
Total Authorized	30,000,000	30,000,000	5,000,000					125,000,000	
Elimination of double count	(15,000,000)	(15,000,000)	-					(30,000,000)	
Effective Total Authorized	15,000,000	15,000,000	5,000,000				60,000,000	95,000,000	
JPMorgan SBIC Voting BB		7,518,666							
JP Morgan SBIC Non-voting BB		3,156,538							
Total, JPMP SBIC Fund	4,112,698	10,675,204						14,787,902	44.4%
Total Sixty Wall St Fund	887,302	2,496,839						3,384,141	10.2%
JPMP Funds	5,000,000	13,172,043	-	-		-	-	18,172,043	54.6%
The Megunticook Fund II, LP	6,052,697	-	-	-		-	-	6,052,697	18.2%
The Megunticook Side Fund II, LP	1,447,303	-	-	-		-	-	1,447,303	4.3%
Megunticook Funds	7,500,000	-	-	-		-	-	7,500,000	22.52%
Employees (options and AA shares)	-	-	2,732,015	1,355,661	833,983	-	-	4,921,659	14.8%
Officers at time of restructure	1,301,451	22,581		-		-	-	1,324,032	4.0%
Osprey Partners, LLC and Others	190,000	805,376	-	-		-	-	995,376	3.0%
GECC	-	-	-	-		333,339	-	333,339	1.0%
ATEL	-	-	-	-		50,000	-	50,000	0.2%
Total Issued and Outstanding	13,991,451	14,000,000	2,732,015	1,355,661	833,983	383,339	-	33,296,449	100.0%
	42.0%	42.0%	8.2%	4.1%	2.5%	1.2%	0.0%	100.0%	

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Summary of GECC Debt Facility

- $24,878,661 P&I outstanding at February 8, 2002 restructuring
- PIK'd interest until October 1, 2003, then cash pay
- Balance at commencement of amortization was $27,735,076
- Amortization of principal commenced March 20, 2004
- Financial covenants for:
  - Senior and total debt leverage
  - Minimum cash
  - Minimum EBITDA
  - Fixed charge coverage
  - Cash interest coverage

Pricing Details

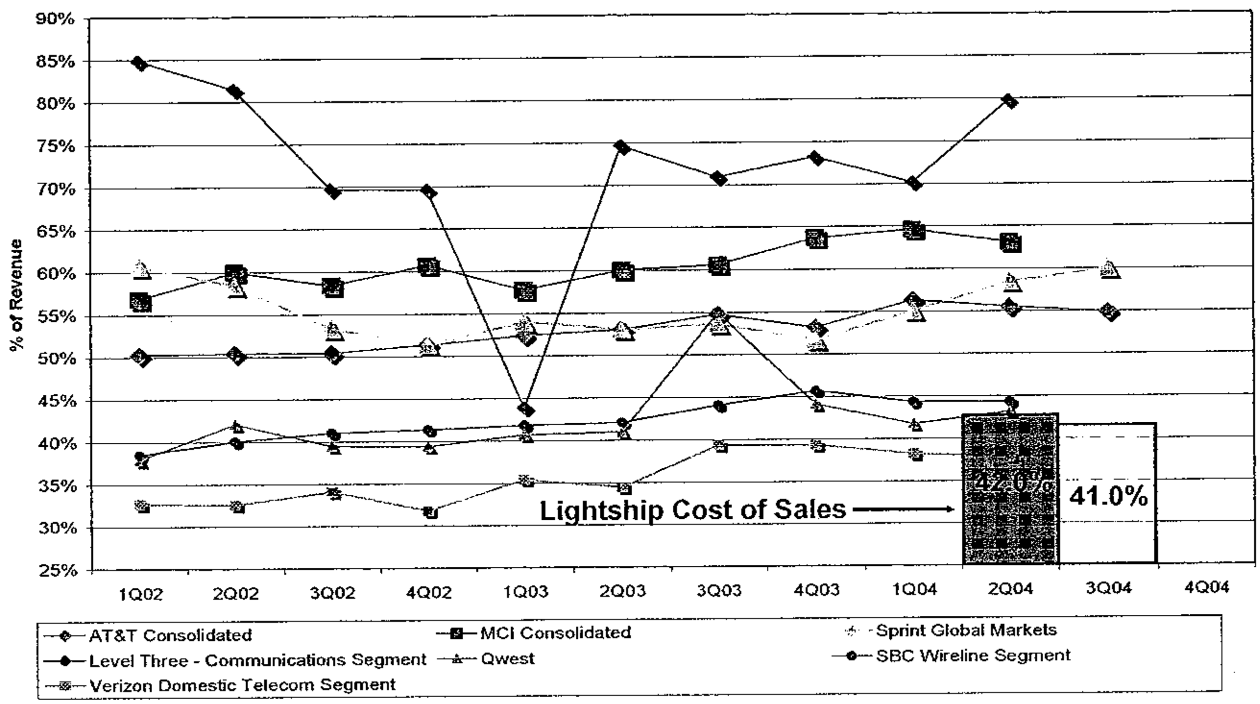
Total Leverage $\geq$	$<$	LIBOR Margin	Base Rate Margin
3.0X	5.0X	4.75%	3.75%
2.0X	3.0X	4.25%	3.25%
1.0X	2.0X	4.00%	3.00%
	1.0X	3.25%	2.25%

GECC Amortization Schedule

Payment Date	Beginning Principal	Principal Amortization	Ending Principal	Amortization Percentage
2004				
31-Mar	27,735,076	(693,377)	27,041,700	2.50%
30-Jun	27,041,700	(693,377)	26,348,323	2.50%
30-Sep	26,348,323	(693,377)	25,654,946	2.50%
31-Dec	25,654,946	(693,377)	24,961,569	2.50%
2005				
31-Mar	24,961,569	(1,386,754)	23,574,815	5.00%
30-Jun	23,574,815	(1,386,754)	22,188,061	5.00%
30-Sep	22,188,061	(1,386,754)	20,801,307	5.00%
31-Dec	20,801,307	(1,386,754)	19,414,554	5.00%
2006				
31-Mar	19,414,554	(1,560,098)	17,854,455	5.63%
30-Jun	17,854,455	(1,560,098)	16,294,357	5.63%
30-Sep	16,294,357	(1,560,098)	14,734,259	5.63%
31-Dec	14,734,259	(1,560,098)	13,174,161	5.63%
2007				
31-Mar	13,174,161	(1,560,098)	11,614,063	5.63%
30-Jun	11,614,063	(1,560,098)	10,053,965	5.63%
30-Sep	10,053,965	(1,560,098)	8,493,867	5.63%
31-Dec	8,493,867	(1,560,098)	6,933,769	5.63%
2008				
31-Mar	6,933,769	(1,733,442)	5,200,327	6.25%
30-Jun	5,200,327	(1,733,442)	3,466,885	6.25%
30-Sep	3,466,885	(1,733,442)	1,733,442	6.25%
31-Dec	1,733,442	(1,733,442)		6.25%

Lightship Has an Excellent Cost Structure

Comparison of Costs of Services & Products Sold as a % of Revenue



Source: Industry Consultant

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Profit Management Program Milestones

- January 2003 – Brought EUR (carrier) billing systems in house
- April 2003 – Brought Aptis (customer) billing systems in house
- August 2003 - Transferred CABs billing and invoice/cost verification from Finance to Operations
- October 2003 - Expanded CABs billing function and cost audit function with additional personnel performing additional procedures
- September 2004 - Engaged industry consultants to analyze Interconnection Agreements and conduct audit for revenues and cost savings
- October 2004 - Formalized Profit Management Program
- January 2005 - Engaged industry consultants to assist Lightship in implementing formal program structure with appropriate processes, procedures, etc.

Outline of Profit Management Program

Revenue Management

- Assurance/recovery for compensible access services
  - Switched access
  - Dedicated access
  - Reciprocal compensation

Cost management

- Auditing
- Validation
- Dispute management:
  - Access services
  - Facilities: special access, UNEs
  - Switched access and reciprocal compensation

Results

- Revenues – more than $2.0 million billed and collected in 2004
- Costs - 708 disputes yielded $1.13 million in cost savings
- Expectations for new discoveries in 2005 and beyond: 2% to 4% Gross Margin/EBITDA improvement

2005-2007 Financial Projections Highlights

('000)	1Q05	2Q05	3Q05	4Q05	2005	2006	2007
Revenue	13,779	14,484	15,080	15,995	59,339	75,538	90,417
Cost of Goods Sold	6,056	6,003	6,258	6,635	24,953	30,970	36,456
Gross Profit	7,723	8,481	8,822	9,360	34,386	44,568	53,961
Gross Margin	*56%*	*59%*	*59%*	*59%*	*58%*	*59%*	*60%*
Operating Expenses	5,124	5,458	5,853	6,128	22,564	26,212	28,330
EBITDA	2,599	3,023	2,969	3,231	11,822	18,357	25,630
EBITDA Margin	*19%*	*21%*	*20%*	*20%*	*20%*	*24%*	*28%*
Capital Expenditures	6,004	1,372	1,511	2,001	10,888	9,161	8,968
Cash Balance	3,541	3,368	3,295	2,892	2,892	4,234	13,223
Debt	24,530	22,966	21,397	19,825	19,825	13,177	6,934
Access Lines	94,430	101,305	109,579	119,792	119,792	156,821	189,085
Employees	203	207	210	212	212	220	220

Financial Forecast Drivers

- **Line Growth**
  - Sales force is primary driver of new line growth
  - Further penetration of the Rhode Island market
  - Ability to service an increasing number of businesses at a lower cost as a result of the expansion of the number co-location facilities
  - Increased lines from agent channel as a result of recent initiatives
  - Enhanced product suite

Direct Sales	2004	2005	2006	2007
Direct Sales Reps	57	61	66	68
Avg. Monthly Access Line per Rep	53	53	53	53
Avg. Lines from Direct Sales	**3,043**	**3,233**	**3,500**	**3,600**

- **Pricing**

Pricing Breakdown	2004	2005	2006	2007
Monthly Access Charge	$34.20	$30.32	$27.41	$25.51
YoY % Change		*-11.3%*	*-9.3%*	*-6.9%*
Avg. Price per Minute	$0.0290	$0.0283	$0.0276	$0.0269
YoY % Change		*-2.43%*	*-2.41%*	*-2.34%*
Avg. Revenue Per Line	**$56.27**	**$48.63**	**$45.53**	**$43.62**
YoY % Change		*-13.6%*	*-6.4%*	*-4.2%*

Does not include CABS

Financial Forecast Drivers (cont.)

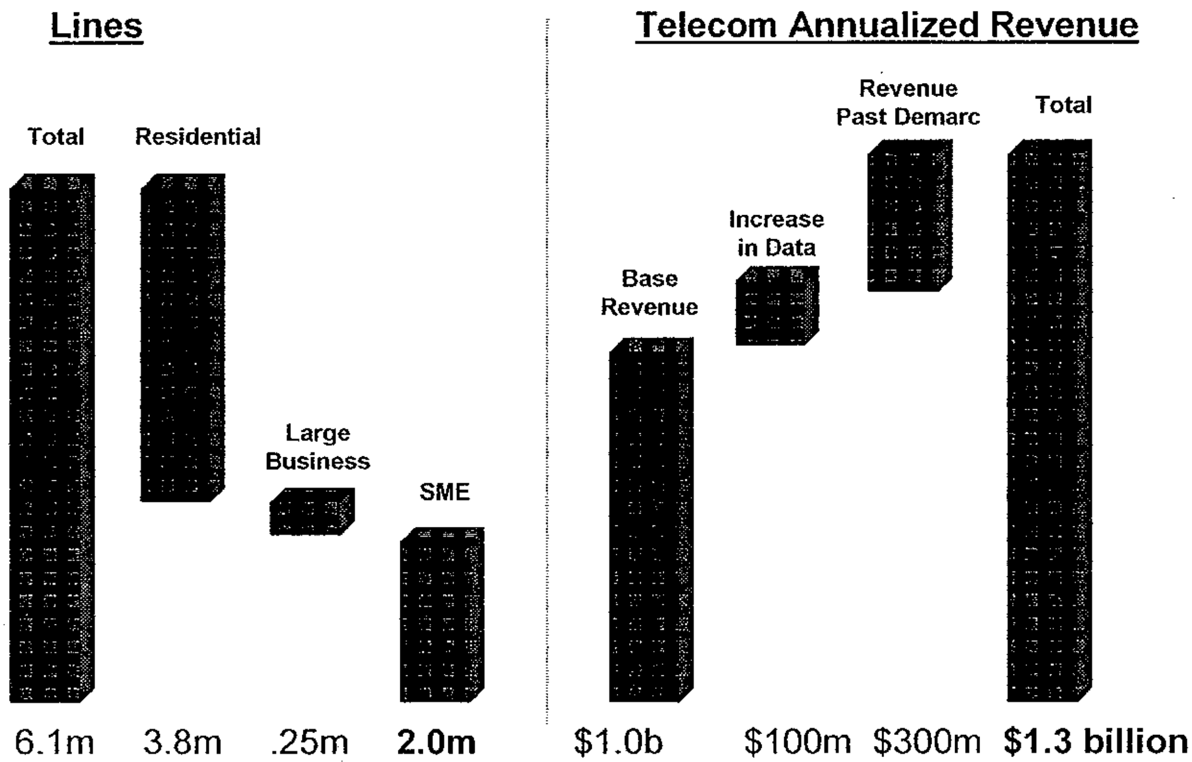
- **Capital Expenditures**
  - Fixed capital required for each incremental customer addition
  - Approximately $5.0 million to the expansion of its co-location footprint throughout New England
  - $4.0 million for the rollout of VoIP and other components of next generation networks, evenly spread through 2006 and 2007

Capex	2005	2006	2007
Line Driven Expenditures	3,314,942	4,192,017	3,755,335
Infrastructure	6,640,500	3,890,500	4,230,500
Network Installation Costs	932,240	1,078,793	982,095
Total Capex	**10,887,682**	**9,161,310**	**8,967,931**

Agenda

- Company Overview
- Engineering and Operations
- Sales
- Customers, Billing, Marketing and Regulatory
- CABS
- Financial Review
- **The CLEC Market Opportunity**
- Summary of Synergies of a Combination

SME Market In New England



Source: FCC, D&B, Lightship analysis

Summary of Growth Plans

- **Lightship plans to leverage its market position and operational capabilities to exploit the telecom market opportunity in New England**
  - Phase 1 (2005):
    - Deploy DSLAMs in all existing collocations
    - Migration of off-net (resale, UNE-P) lines to on-net
  - Phase 2 (2005-06)
    - Extend network to 150 collocations with ability to serve DS-0 loops and higher
    - The extensions leads to significant cost savings and new revenue opportunities
  - Phase 3 (2006-07):
    - Deploy capability to exploit market opportunity past the Demarc

Phase 1 & 2 Financial Rationale

Sources of Benefits

Net cost benefits: $260K Per Month

- DS1 Mileage Savings
- DS1 Loop Cost Savings
- UNE-P & Resale Cost Savings
- Retain fees on Resale Lines
- CABS Revenue
- Lower Usage Costs

New sales benefits from the expanded footprint and product range

- 2005 EBITDA: $525K
- 2006 EBITDA: $4.1M

Capital Costs

Capital: $5.0M

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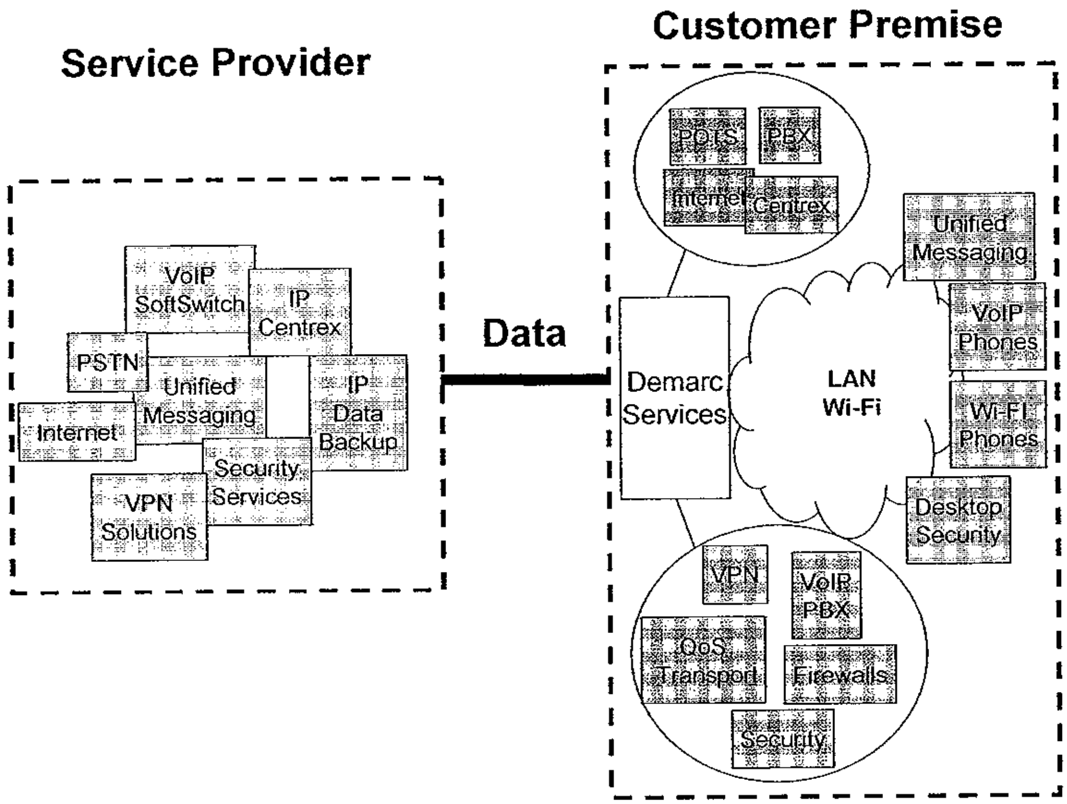
Phase 3: Expanding Past the Demarc

- **Product description**
  - Voice (VoIP, PSTN termination, universal messaging, etc.)
  - Data (access, internet, VPNs, etc.)
  - Applications (email, security, etc.)
  - Local Networking (WiFi, Desktop devices)
- **Target customers**
  - SMEs with 10 to 200 employees
- **Target need**
  - Sophisticated, business critical communications needs
  - Lack of scale to employ sufficiently qualified IT staff
- **Timing rationale**
  - New technology makes it possible to provide the services remotely for a fixed monthly fee
    - **VoIP** enables richer and cheaper voice applications
    - **SNMP** enables robust remote management of services
    - **WiFi** enables "cabling" in old buildings
    - **DSL/WiFiMax** provide cost effective high-speed access

Expanding Past the Demarc



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VoIP - Key Building Block for Phase 3

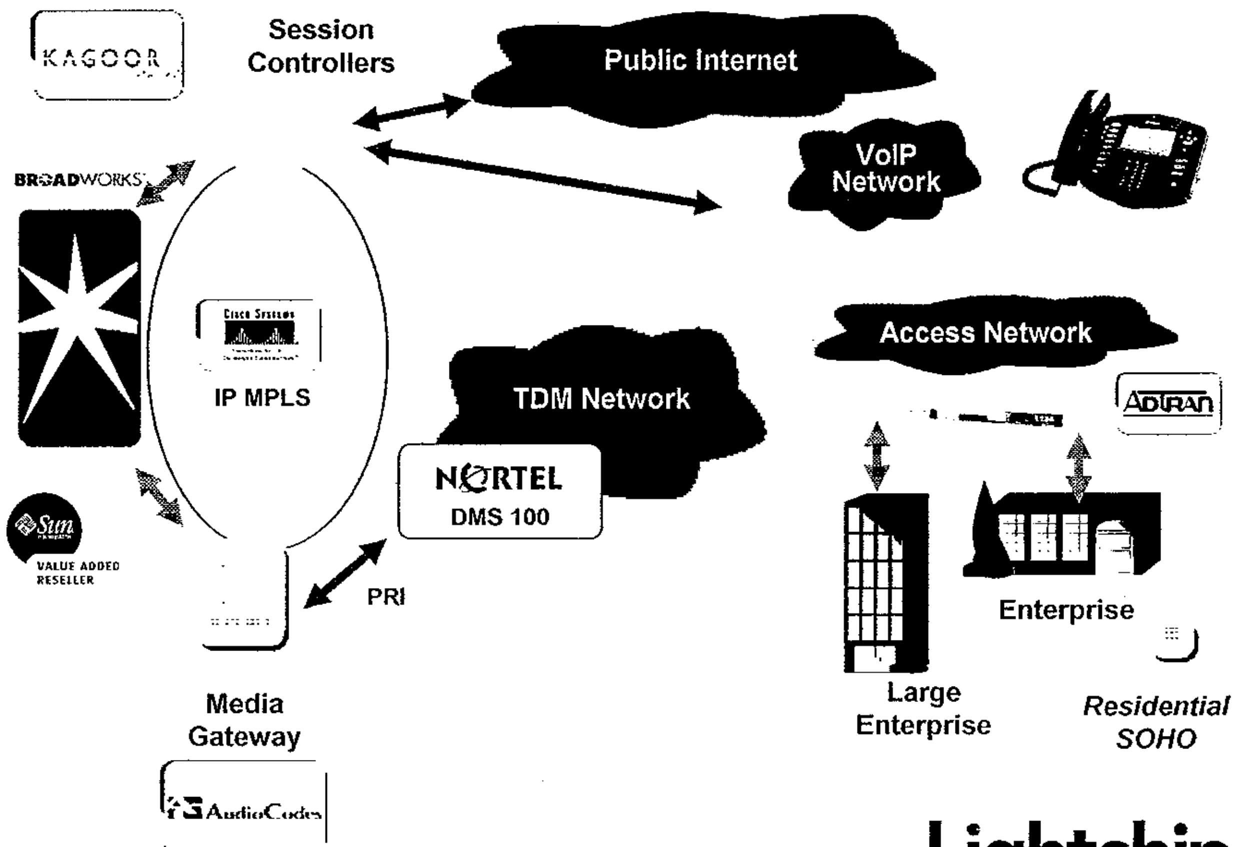
- VoIP Customer Value proposition
  - Customer Driven Application Sale
  - Sophisticated features and integration
  - Potential lower costs for network maintenance and internal and international calling

- Lightship Opportunities
  - Evolutionary not Revolutionary
  - IP Centrex for SME Customers
  - Hosted PBX
  - Revenue beyond the De-marc
  - Wholesale PSTN Call Termination
  - Telephony Services to the "Low-End" SOHO

Lightship's VoIP Network Deployment

- The heavy lifting is already done
  - Our network has been deployed with ATM to the edge for more than 2 years
  - Our customer base and network supports a highly "data centric" sales approach
  - Our network connections route and terminate all traffic types and protocols
  - Our support systems and network monitoring systems are flexible and scalable
  - Our CPE and other network elements integrate IP traffic

Network Inter-Operability



Lightship Telecom

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Potential Synergies

- Rent savings from the elimination of redundant collocations
- Cost reduction from migration of existing off-net traffic as a result of additional collocations
- SG&A savings:
  - Overlapping personnel
  - Removal of poorest performers from combined sales force
  - Other SG&A (insurance, leases, etc.)
- Elimination of expenditures related to future systems upgrades as Lightship may have newer, more advanced billing, provisioning and other OSS systems (i.e., Lightship's CABS system is by same vendor is newer (potential cost savings)

Potential Synergies (cont.)

- Improved purchasing power from vendors
- Elimination of strong competitor
- Larger platform from which to roll up smaller regional players
- Better Access to Capital
  - Reduction in borrowing costs, and better access to debt markets, as combined businesses are more profitable and have larger revenue base
- Potential for Quicker Liquidity Event
  - Scale makes combined entity more attractive target